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OF INDEPENDENCE TO COLONIAL
COUNTRIES AND PEOPLES

TRUST TERRITORY OF THE PACIFIC ISLANDS

Working paper prepared by the Secretariat

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TRUST TERRITORY OF THE PACIFIC ISLANDS*

INTRODUCTION

1. In a letter dated 7 December 1990 addressed to the President of the Security Council (T/1951), 1/ the President of the Trusteeship Council, on behalf of the members of the Trusteeship Council, transmitted a draft resolution entitled "Partial termination of the Trusteeship Agreement for the Trust Territory of the Pacific Islands". The draft resolution was recommended for adoption by the Security Council.

2. At its 2972nd meeting, on 22 December 1990, the Security Council adopted the above-mentioned resolution as resolution 683 (1990). For the text of the resolution and an account of the Security Council's consideration of the above question, see paragraphs 24-26 below.

I. GENERAL

3. Until December 1990, the Trust Territory of the Pacific Islands was composed of three archipelagos: the Marshalls, the Carolines and the Marianas. It consisted of four entities: the Federated States of Micronesia, the Marshall Islands, the Northern Mariana Islands and Palau. The island of Guam in the Marianas is not a part of the Trust Territory but is an unincorporated Territory of the United States of America. Palau is the only remaining entity of the Trust Territory of the Pacific Islands still under the Trusteeship Agreement. 2/

4. The Trust Territory of the Pacific Islands (Palau) is located in the Western Caroline Islands. It is composed of many islands, the largest of which is Babelthup which has a land area of 404 square kilometres and a population of 3,600. The total land area of Palau is 492 square kilometres. According to the current annual report, 3/ the estimated population of Palau in 1990 totalled 15,105. Two thirds of the total population is located on Koror, the capital of Palau, which has a land area of 9.8 square kilometres.

II. POLITICAL ADVANCEMENT

A. General political structure

5. As noted in paragraph 3, Palau is the only remaining entity of the Trust Territory of the Pacific Islands. Under Secretarial Order No. 3119 of 10 July 1987, the Administering Authority continues to act as Administering

* Unless otherwise noted, the information contained in the present report has been derived from the current annual report of the Administering Authority to the Trusteeship Council (see note 3) or from previous reports.

Authority until the Trusteeship Agreement 2/ becomes inapplicable to the Trust Territory of the Pacific Islands.

6. The Office of the High Commissioner was abolished on 10 July 1987 and its remaining responsibilities transferred to the Department of the Interior in Washington. A residual Office of the Transition with a staff of five is located in the Northern Mariana Islands to complete transfers of property and programmes.

7. In May 1990, the Department of the Interior announced that it would open an office in Palau and review the administrative structure of the Administering Authority as it pertains to the Trust Territory. In September of the same year, the leadership of Palau and the Assistant Secretary of the Interior met in Guam to draft a new secretarial order defining the responsibility of the Administering Authority and the Trust Territory.

8. Subsequently, on 15 October, the Department of the Interior issued Secretarial Order No. 3142 which provides for the appointment of a Resident Representative to carry out liaison between the Administering Authority and the Palau Government, and to appoint such professional, technical and administrative staff as may be necessary to carry out official duties and responsibilities under the Trusteeship Agreement, including a special prosecutor and public auditor. The Order also grants the Department of the Interior a role in the budget process and in the preparation of a master plan to protect the exceptional and delicate environment of the Rock Islands.

9. Furthermore, the Order delegates authority to the Assistant Secretary of the Interior to review and approve proposed borrowing, capital improvement projects and legislation, and outlines the supervisory authority of the Department of Interior over the conduct of foreign affairs.

10. In a joint statement to the Trusteeship Council on 3 May 1991, delivered on behalf of the President of the Senate of Palau, the Speaker of the Palau National Congress and himself, the President of Palau stated that his Government welcomed the increased physical presence of the Department of the Interior in Palau, but only in an advisory role, to provide expertise in the areas of budget, finance and public safety. The President further stated that Secretarial Order 3142 usurped existing governmental powers and was a step backwards in Palau's progressive path towards eventual self-government in a freely chosen political status. 4/

11. At the opening meeting of the fifty-eighth session of the Trusteeship Council on 3 May 1991, the representative of the United States informed the Council that Palau had taken no concrete steps in the past year with regard to its future political status. As far as the United States was concerned, the Compact of Free Association remained available if Palau decides to accept it. She further stated that the United States was also willing to consider independence as another status alternative. She assumed that further activity would take place regarding future political status. 4/

12. Palau is a member of the South Pacific Commission (SPC) and an associate member of the Economic and Social Commission for Asia and the Pacific (ESCAP). It has observer status or membership in the Forum Fisheries Agency (FFA) and the Asia Pacific Telecommunity.

13. Regional Governments that offer training assistance include Australia, Japan and New Zealand.

B. Constitutional development and progress towards self-government or independence

14. Background information concerning constitutional developments in the Trust Territory is contained in previous reports of the Trusteeship Council to the Security Council and of United Nations visiting missions. 5/

15. At its fifty-third session, on 28 May 1986, the Trusteeship Council adopted, by 3 votes to 1, resolution 2183 (LIII), by which it noted that the peoples of the Northern Mariana Islands, the Marshall Islands, the Federated States of Micronesia and Palau had freely exercised their right to self-determination in plebiscites observed by the visiting missions of the Trusteeship Council and had chosen free association with the United States in the case of the Marshall Islands, the Federated States of Micronesia and Palau, and Commonwealth status in the case of the Northern Mariana Islands. 6/

16. The Trusteeship Council requested the Government of the United States, in consultation with the four Micronesian Governments, to agree on a date not later than 30 September 1986 for the full entry into force of the Compact of Free Association and the Commonwealth Covenant, 7/ and to inform the Secretary-General of the United Nations of that date. The Council considered that the Government of the United States, as the Administering Authority, had satisfactorily discharged its obligations under the terms of the Trusteeship Agreement 2/ and that it was appropriate for the Agreement to be terminated with effect from the date mutually agreed upon. At the same session, the Council also recommended that the Administering Authority complete its internal process of approval of the Compact of Free Association for Palau at the earliest possible date.

17. In a letter dated 23 October 1986, 8/ the Permanent Representative of the United States to the United Nations informed the Secretary-General that, as a consequence of consultations held between his Government and the Government of the Marshall Islands, agreement had been reached that 21 October 1986 was the date upon which the Compact of Free Association with the Marshall Islands would enter fully into force. Further, the Permanent Representative informed the Secretary-General that the Compact of Free Association with the Federated States of Micronesia and the Commonwealth Covenant with the Northern Mariana Islands would enter into force on 3 November 1986.

18. At its fifty-fourth and fifty-fifth sessions, the Trusteeship Council recalled its resolution 2183 (LIII) and recommended that the process of approval of the Compact of Free Association for Palau should be completed at

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the earliest possible date. 9/ At its fifty-sixth session, the Trusteeship Council again recalled its resolution 2183 (LIIII). 10/

19. At its fifty-seventh session, the Trusteeship Council noted its resolution 2183 (LIIII). It noted also that at the plebiscite held in Palau on 6 February 1990, the Compact of Free Association did not obtain the 75 per cent majority necessary for ratification. It noted also the statement of the representative of the Government of Palau in the Trusteeship Council on 21 May 1990 that the leadership of Palau was reviewing possible options with respect to the resolution of Palau's future political status. In that regard, the Council welcomed the assurance of the Administering Authority in its annual report on the Trust Territory that it was prepared to assist the Government of Palau, at its request, in any appropriate endeavour leading to the final determination of a political status chosen by the people of Palau. 11/

20. In its current annual report, the Administering Authority reiterates that it continues to be prepared to assist the Government of Palau, at its request, in any appropriate endeavour leading to the final determination of a political status chosen by the people.

21. In the conclusions and recommendations adopted without a vote by the Trusteeship Council on 14 May 1991, during its fifty-eighth session, the Council again noted its resolution 2183 (LIIII). It also noted, *inter alia*, the statement by the President of the Government of Palau on 3 May 1991 that the leadership of Palau continues to review possible options with respect to the resolution of Palau's future political status. It welcomed the assurance of the Administering Authority in its annual report on the Trust Territory that it is prepared to assist the Government of Palau, at its request, in any appropriate endeavour leading to the final determination of a political status of Palau, in accordance with the free choice of its people. The Council also noted the measures taken in 1990 by the Administering Authority with a view to improving the cooperation between the Administering Authority and the Government of Palau. 12/

22. The Trusteeship Council expressed the hope that the people of Palau would be able to complete in due course the process of exercising freely their right to self-determination and noted with satisfaction the assurances given by the Administering Authority that it would continue to fulfil its responsibilities under the Charter of the United Nations and under the Trusteeship Agreement. 12/

23. The Trusteeship Council also took note of the statement by the Administering Authority that the United States had no plans to establish military bases in Palau. 12/

C. Consideration by the Security Council of the status of the Trust Territory of the Pacific Islands

24. At its 2972nd meeting, on 22 December 1990, the Security Council considered the status of the Trust Territory of the Pacific Islands. Members of the Council had before them document S/22008, which contained a letter dated 7 December 1990 from the President of the Trusteeship Council addressed to the President of the Security Council, and document S/22001, which contained a draft resolution on the Trust Territory submitted by China, France, the Union of Soviet Socialist Republics, the United Kingdom of Great Britain and Northern Ireland and the United States. The President also drew attention to document S/22007, which contained a letter dated 17 December 1990 from the Permanent Representative of Papua New Guinea to the United Nations addressed to the President of the Security Council; to document S/22009, which contained a letter dated 18 December 1990 from the Permanent Representative of Vanuatu to the United Nations addressed to the President of the Security Council; and to document S/22034, which contained the text of a letter dated 21 December 1990 from the Permanent Representative of Cuba to the United Nations addressed to the President of the Security Council.

25. At the same meeting, following statements made by the representatives of Cuba, the United States and New Zealand, the Security Council adopted by a vote of 14 in favour to 1 against the draft resolution contained in document S/22001 as resolution 683 (1990). The resolution reads as follows:

"The Security Council,

"Recalling Chapter XII of the Charter of the United Nations which established an international trusteeship system,

"Conscious of its responsibility relating to strategic areas as set forth in Article 83, paragraph 1, of the Charter of the United Nations,

"Recalling its resolution 21 (1947) of 2 April 1947, in which it approved the Trusteeship Agreement for the former Japanese Mandated Islands, since known as the Trust Territory of the Pacific Islands,

"Noting that the Trusteeship Agreement designated the United States of America as Administering Authority of the Trust Territory,

"Mindful that Article 6 of the Trusteeship Agreement, in conformity with Article 76 of the Charter, obligated the Administering Authority, inter alia, to promote the development of the inhabitants of the Trust Territory towards self-government or independence as may be appropriate to the particular circumstances of the Trust Territory and its peoples and the freely expressed wishes of the peoples concerned,

"Aware that, towards this end, negotiations between the Administering Authority and representatives of the Trust Territory began in 1969 and resulted in the conclusion of a Compact of Free Association

in the case of the Federated States of Micronesia and the Marshall Islands, and a Commonwealth Covenant in the case of the Northern Mariana Islands,

"Satisfied that the peoples of the Federated States of Micronesia, the Marshall Islands, and the Northern Mariana Islands have freely exercised their right to self-determination in approving their respective new status agreements in plebiscites observed by visiting missions of the Trusteeship Council and that, in addition to these plebiscites, the duly constituted legislatures of these entities have adopted resolutions approving the respective new status agreements, 1/ thereby freely expressing their wish to terminate the status of these entities as parts of the Trust Territory,

"Hoping that the people of Palau will be able in due course to complete the process of freely exercising their right to self-determination,

"Taking note of resolution 2183 (LIII) of the Trusteeship Council of 28 May 1986 and subsequent reports of the Trusteeship Council to the Security Council,

"Determines, in the light of the entry into force of the new status agreements for the Federated States of Micronesia, the Marshall Islands and the Northern Mariana Islands, that the objectives of the Trusteeship Agreement have been fully attained, and that the applicability of the Trusteeship Agreement has terminated, with respect to those entities."

"1/ See resolution No. 4-60 of the Congress of the Federated States of Micronesia (26 March 1986); resolution No. 62 N.D.-2 of the Nitijela of the Marshall Islands (18 February 1986); and resolution No. 76-1975 of the Fourth Mariana Islands District Legislature (20 February 1975).

26. After the adoption of the resolution, statements were made by the representatives of France, China, Cuba, the United Kingdom, the United States, the Soviet Union and Ethiopia. 13/

D. Territorial government

Legislature

27. The legislative power in Palau is vested in the Olbiil Era Kelulau (National Congress), consisting of two equal houses - the Senate and the House of Delegates - whose members are elected for a four-year term. Although both houses are equal under the Constitution of Palau, the Senate has the additional power of advice and consent. The third Olbiil Era Kelulau took office in January 1989. There are 16 delegates, one from each of the states

of Palau. Senators represent geographical districts determined according to population by a reapportionment commission. Reapportionment plans are drawn every eight years and prescribe the number of senators to be elected during the period the plan is in effect. At present, there are 14 senators consisting of 4 from the northern part of Palau, 9 from Koror and 1 from the southern islands. Members of the Olbiil Era Kelulau may be removed from office only by recall or impeachment.

28. The leadership of the Senate consists of a President, a Vice President, a Floor Leader and an executive committee consisting of these presiding officers and all standing committee chairmen. The leadership of the House of Delegates consists of the Speaker, the Vice Speaker, the Floor Leader and an executive committee.

29. The Constitution of Palau requires that a bill pass three separate readings on three separate days in each house before it becomes law. If a bill passes its third reading, it is transmitted to the other house of the Olbiil Era Kelulau where it undergoes essentially the same process. If passed by the other house in a modified form, it is returned to the original house, to accept or reject the changes. If the changes are rejected the presiding officers of each house appoints a conference committee, which attempts to reach agreement on the amendments. If the committee is able to reach agreement, its proposed changes are voted upon by each house.

30. A bill enacted by the Olbiil Era Kelulau is transmitted to the President. The President has 15 days within which to sign or veto the bill. All bills signed by the President and those allowed to become law without his signature are then transmitted to the Assistant Secretary, Office of Territorial Affairs, United States Department of the Interior, to be reviewed for consistency with applicable federal laws, the Trusteeship Agreement or treaties in force. The Assistant Secretary has 20 days in which to determine whether to allow the bill to become law or to suspend all or part of the legislation.

Executive

31. Executive power in Palau is vested in a President who is elected for a four-year term. The Vice-President, elected in the same manner, is an ex officio member of the Cabinet. A Council of Chiefs advises the President on matters concerning traditional laws and customs. Elections for the national government were held in Palau on 2 November 1988, which resulted in the election of Mr. Ngiratkel Etpison as President. The eight ministries of the Executive Branch of the Palau Government are: State; Justice; Resources and Development; Commerce and Trade; Administration; Health; Education; and Community and Cultural Affairs.

E. State or municipal governments

32. Palau is composed of 16 states, which were formerly clusters of loosely linked hamlets. Each state has an elected governor and state legislature as

well as a constitution. During the period under review, one state held a constitutional referendum to adopt a new constitution and four states held gubernatorial and state legislature elections.

F. Civil service

33. The Constitution of Palau provides for the appointment of national officers by the President with the advice and consent of the Senate. During the period under review, the Government of Palau employed 1,410 persons, a 4 per cent decrease from the previous year's level of 1,472.

G. Political education

34. According to the report of the United Nations Visiting Mission to Observe the Plebiscite in Palau, Trust Territory of the Pacific Islands, February 1990, 14/ the plebiscite was preceded by a political education programme carried out by a Political Education Committee, which represented a broad spectrum of Palauan public opinion. Under Republic of Palau Public Law No. 3-10, enacted by the Olbiil Era Kelulau, the Committee was mandated to inform and educate the people of Palau in an impartial manner on the contents of the Compact of Free Association and its subsidiary agreements, as well as of relevant United States legislation.

35. During its visit, the mission was informed that members of the Political Education Committee had visited all parts of Palau, as well as Palauan communities overseas. At the Mission's public meetings, in response to questions by Mission members about the presentations made by the Political Education Committee, the general view of the participants was that the political education programme had been conducted in a factual and unbiased manner. That was acknowledged even by opponents of the Compact, although some claimed that Committee members had given more attention to the benefits of the Compact than to what they regarded as its drawbacks.

36. According to the report of the 1990 Visiting Mission, copies of the Compact, the earlier subsidiary agreements and of the Guam Accord were freely available in both English and Palauan. Copies of all the political education material were made available to the Mission.

37. The Visiting Mission concluded that it had no doubt that, in general, the people of Palau had understood the purpose of the plebiscite and the question they were being asked. It considered that the people were by that time very familiar with the electoral process. Inevitably, not every individual had a full grasp of every detail of the Compact and the related agreements, but it was clear that Palauans at least had an adequate understanding of the underlying issues and of the implications of the Compact for their future. The Mission concluded that that was due in part to the Political Education Program, in part to the cumulative effect of previous plebiscites and to the activities of influential leaders on both sides, and in part to the high level of political awareness of the electorate.

H. Judiciary

38. According to the current annual report, during the year under review, the Trust Territory High Court remained in existence although there were no active cases. The Judge for the United States District Court for the Northern Mariana Islands, who was the former Chief Justice of the High Court, was appointed as a temporary Justice of the High Court by the Secretary of the Interior. Other judges may be appointed as required. The High Court continues to have limited jurisdiction over the judicial system in Palau.

39. Judicial power in Palau is vested in a Supreme Court, a National Court and such lower courts of limited jurisdiction as may be established by law.

40. On 10 July 1987, Secretarial Order No. 3119 from the Department of the Interior provided that "the Appellate Division of the High Court of the Trust Territory of the Pacific Islands shall retain jurisdiction ... to entertain appeals from the Appellate Division of the Supreme Court of Palau with respect to suits ... as regards the administration of the Trust Territory". On 14 January 1988, by an amendment to Secretarial Order No. 3119, it was declared that rulings of the courts of Palau would be conclusive on questions of local Palauan law, except in cases to which the Government of the Trust Territory of the Pacific Islands or the Government of the United States, its agencies or military or civilian personnel were parties.

41. According to the current annual report, during the period under review, the judicial system in Palau included the Supreme Court consisting of an Appellate Division and a Trial Division, the National Court, the Court of Common Pleas and the Land Claims Hearing Office. The Supreme Court is composed of a chief justice, three associate justices and three part-time associate justices, all of whom are members of both the trial and the appellate divisions. Justices of the Palau Supreme Court are appointed by the President of Palau from a list of candidates recommended by the Judicial Nominating Commission. Matters before the Trial Division are heard by one justice, except for murder cases, in which the Trial Judge determines questions of fact and penalty, with the assistance of two lay "special judges" whom he selects from a list of persons appointed by the President for specified terms. Questions of law remain solely within the province of a trial judge. All appeals are heard by at least three judges. No justice may hear or decide an appeal of a matter heard by him in the Trial Division. The National Court consists of a presiding judge and such other judges provided for under the Palau Constitution. The Court of Common Pleas consists of a senior judge and an associate judge. The Land Claims Hearing Office which is under the administration of the National Judiciary of Palau, has been hearing land disputes since 1987 (see sect. III.D).

42. According to the current annual report, the Ministry of Justice in Palau is charged with the maintenance of domestic security and law enforcement.

III. ECONOMIC ADVANCEMENT

A. General economy

43. At its fifty-seventh session, the Trusteeship Council noted that the people of the Trust Territory, in the exercise of their right to self-government as set out in Article 76 b of the Charter of the United Nations, had elected to assume full responsibility for administration in the economic, social and educational fields. 11/

44. According to the report of the Administering Authority, during the year under review, the people and the freely elected Government of the Trust Territory continued to advance in the exercise of self-government and the discharge of responsibilities for the full administration of their social, economic and educational obligations. At the same time, the Administering Authority stated that it was preparing to provide greater guidance and counsel to the Government in order to comply with its obligations under the Trusteeship Agreement.

45. At its fifty-seventh session, the Trusteeship Council also noted the concerns of the Government of Palau regarding economic development and self-sufficiency. It shared the view that continued efforts were needed in that regard and welcomed the recent improvements reported in the tourism and fisheries sectors. 11/

46. In its current annual report, the Administering Authority agreed that continuing efforts were required in those important economic sectors and assured the Trusteeship Council that it would do what it could to assist the people of the Territory to attain greater economic self-sufficiency through responsible economic development.

47. At its fifty-seventh session, the Trusteeship Council welcomed the steps taken by the Administering Authority to assist Palau, particularly in the areas of fisheries enforcement, the campaign against drug trafficking and abuse, public health and safety, and the operation and maintenance of public works facilities. It hoped that further progress would continue to be made in those fields. 11/

48. In its current annual report, the Administering Authority assured the Council that it would continue to assist the Territory in those and other important sectors through a variety of programmes already in place.

49. At the opening meeting of the fifty-eighth session of the Trusteeship Council on 3 May 1991, the representative of the United States informed the Council that based on a request from Palau, the United States was working with the Palau Government on arrangements for a master national development plan. As a result of the issuance of Department of the Interior Secretarial Order 3142, the United States was earmarking increased funding for essential activities in the fields of education, health and public safety. 4/

50. In November 1990, typhoon "Mike" hit the northern part of Palau, causing extensive damage to the Territory although there was no serious injury or loss of life. The President of the United States declared the Territory a disaster area, thus qualifying it for United States emergency-disaster assistance. A total of \$3.8 million ^{15/} was made available by the United States for private and public restoration projects. ^{4/}

51. In the conclusions and recommendations adopted without a vote by the Trusteeship Council on 14 May 1991, during its fifty-eighth session, the Council noted that the peoples of the Trust Territory, in the exercise of their right to self-government as set out in Article 76 b of the Charter of the United Nations, had elected to assume full responsibility for administration in the economic, social and educational fields. ^{12/}

52. The Trusteeship Council also noted the concerns of the Government of Palau regarding economic development and self-sufficiency. It shared the view that continued efforts are needed in this regard and welcomed the recent improvements reported in the public health, tourism and fisheries sectors. It expressed the hope that further progress would continue to be made in those and other fields. It also noted the assurances of the Administering Authority in its annual report on the Trust Territory that it would do what it could to assist the peoples of the Territory to attain greater economic self-sufficiency through responsible economic development.

53. The Trusteeship Council further welcomed the current consultations between the Administering Authority and the Government of Palau regarding a master national development plan and expressed the hope that those consultations would lead to the further economic development of Palau.

54. According to the current annual report, the Palau Bureau of Foreign Affairs continued to participate in international and regional organizations, from which it received primarily technical assistance for socio-economic development. International organizations and agencies of the United Nations system continued to make available such assistance as training, workshops, conferences and consulting services to improve the skills of Palau's workforce. Assistance or training programmes were available from: United Nations Children's Fund (UNICEF), United Nations Development Programme (UNDP), United Nations Population Fund (UNFPA), International Labour Organisation (ILO), Food and Agriculture Organization of the United Nations (FAO), United Nations Educational, Scientific and Cultural Organisation (UNESCO), World Health Organization (WHO), International Maritime Organization (IMO), United Nations Industrial Development Organization (UNIDO) and United Nations Commission on Transnational Corporations (UNCTC). Regional organizations that made assistance available to Palau include the Asia Productivity Organization, ESCAP, SPC, FFA, the Overseas Fisheries Cooperative Foundation and the Asia Pacific Telecommunity.

B. Public finance

55. Funding for government operations and capital improvement programmes in the Trust Territory is derived mainly from an annual grant provided by the Department of the Interior from funds appropriated by the United States Congress. The second and third largest sources of income are federal grants and revenues locally collected from taxation. During fiscal year 1989/90 (1 October 1989 to 30 September 1990), total revenues amounted to \$35.5 million while annual expenditures amounted to \$27.5 million. For 1989/90, the grant from the Administering Authority to the Trust Territory totalled approximately \$25.3 million, of which \$14.3 million came from funds from the Department of the Interior, \$5.0 million from federal grants and approximately \$6.0 million from Capital Improvement Program funds.

56. Local revenues amounted to \$10.2 million, derived mainly from taxes and reimbursements for the use of public utilities. These revenues are controlled by the Palau legislature and appropriated to provide for its own support and for such legislative projects as may be authorized by law.

57. The Trust Territory Transition Office was responsible for monitoring disbursements of categorical grants that had not yet been completely transferred to Palau and for providing training in bookkeeping and fiscal management.

C. International trade

58. According to the current annual report of the Administering Authority, imports to Palau during 1989/90 were valued at \$24.3 million. During 1988/89, imports were valued at \$4.9 million, while exports amounted to \$556,000. The Administering Authority informed the Trusteeship Council on 6 May 1991 that the marked increase in the value of imports was attributable to the import of construction materials primarily for the new Palau hospital, and for new hotels being built in Palau. 16/

D. Land

59. In 1986, titles to all public lands previously held by the High Commissioner of the Trust Territory were transferred to the four constitutional Governments. The Palau Land Claims Hearing Office, consisting of a senior land claims hearing officer and four assistant land claims hearing officers, has been hearing land disputes since 1987.

60. Seventeen part-time land claims hearing officers assist in collecting the evidence needed to settle land disputes. An additional 19 land registration officers serving the 16 states of Palau coordinate with the Land Claims Hearing Office to process and document claims for lands that have not yet been adjudicated. During the period 1 November 1989 to 31 October 1990, the agency adjudicated 751 land disputes.

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E. Agriculture and forestry

61. Subsistence farming is the main agricultural activity throughout the Trust Territory. Various regional and international organizations, notably UNDP, FAO and SPC, provide assistance on crop research, market development and livestock production.

62. In 1990, sales of vegetables, fruits, staple crops, eggs, meat and processed food in Palau amounted to \$440,675, compared with \$449,853 during the previous year.

63. The Palau Agriculture Revolving Fund, created by the Palau legislature, continued to provide farmers with small farm tools, machinery, seeds and supplies. Sales during 1990 totalled \$110,656, compared with \$103,092 during the previous reporting period.

64. The United States Department of Agriculture Forest Service made a grant of \$29,000 to the Palau Forestry Program for fiscal year 1990 and sponsored forestry-related programmes. Some 9,000 seedlings of timber, fruit crops and vegetables were distributed to farmers, schools and individuals through the forestry programme. Rental of farm equipment resulted in the cultivation of small gardens which totalled 13 hectares.

F. Marine resources

65. The Palau Maritime Authority is a semi-autonomous government agency created to negotiate foreign fishing agreements to allow tuna fishing within Palau's 200-mile exclusive economic zone. It also manages and regulates living marine resources within the zone. Agreements negotiated by the Authority have to be approved by the Olbhil Era Kelulau before entering into effect. During the period under review, a total of \$659,000 was collected from the five foreign fishing agreements in effect.

66. Under the agreement with the Fisheries Association of Japan, the Authority allows up to 290 fishing vessels to fish in Palau's 200-mile exclusive economic zone. Revenue for the period July 1990 to January 1991 amounted to \$250,000. The Multilateral Fisheries Treaty with the United States (a fisheries treaty between the Government of the United States and several Governments of the South Pacific Forum Fisheries Agency, including Palau) was administered and monitored by the Forum Fisheries Agency. Palau received \$170,000 from this treaty during the period under review. Under an agreement with the Palau International Traders Inc., a locally registered corporation, a total of 249 fishing vessels have been issued fishing licences since 1985, yielding \$117,000 to the Government of Palau in licence fees. The remaining two agreements were with local Palauan corporations, which yielded \$67,000 in revenue.

67. During the reporting period, approximately 40 per cent of all fish caught were channelled through the Palau Federation of Fishing Associations which marketed approximately 170,000 kilograms of fish valued at \$301,000 for the

seven fishing cooperatives in Palau; approximately 40 per cent of that total amount of fish (excluding tuna) were exported to Guam. In addition, the Palau Division of Marine Resources reported that exports of inshore reef fish amounted to some 254 metric tons.

68. During the same period, the Palau Division of Marine Resources continued several projects to evaluate and assist fishery production. Other ongoing projects funded by grants-in-aid from Japan and the United States Department of the Interior include assistance to subsistence fishing.

69. Ten refrigeration plants acquired through a grant-in-aid from Japan were repaired. According to previous reports, ice needed for fishing activities is now abundant in the villages.

70. During the period under review, nine Palauans attended training programmes or courses in fisheries in Fiji or Japan.

71. The Micronesian Mariculture Demonstration Center (MMDC), a Palauan government facility, offers on a continuous basis a 30-day training course on Giant Clam Mariculture. It also offers a summer course to college-bound Palauan high school students, and visiting research experts present seminars on an ad hoc basis. During the period under review, it trained nine students. In 1990, MMDC received \$120,000 from the United States Department of the Interior, \$15,000 from the Government of Canada and \$96,000 from the Pacific Fisheries Development Foundation. More than 300,000 seed clams were produced and 100 shipments were sent to other Pacific Island countries. Revenue from training courses and clam seed sales amounted to \$60,000 during 1989/90.

G. Industry, construction and public works

72. With the diversification of Palau's economic base, the number of entrepreneurs has continued to grow. A total of 700 business establishments were estimated to be conducting business in 1990, compared with 2,275 in 1989. The decrease, however, is believed to be on paper only as many family businesses had not filed with the Tax and Revenue Office. Land, air and surface transportation, construction, retailing, and hotels account for most of the private activity primarily related to the growth of the tourist industry. Of the 41 applications for foreign investors' business permits, the Foreign Investment Board of Palau approved 15 business applications and rejected 7; 2 were withdrawn and the remainder were pending.

73. In 1986, the National Power Plant at Aimeliik (the IPSECO power plant) began operations, reaching 50 per cent of the population. During the period under review, it operated continuously without major problems, although a number of power outages were recorded, mostly owing to obstructions in the distribution system. The monthly average energy generated was 4 million kilowatts, with an average daily peak load of 6,700 kilowatts. According to the current annual report, the older power station at Malakal has been refurbished and capacity output of 6.65 megawatts has been maintained.

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74. The Palau Water Branch currently provides water to some 10,000 persons living within the service area of Koror, the capital, and nearby areas. Some 50 per cent of the system still operates on "water hours" of 16 hours per day, an improvement over the previous reporting period when most of the system was on "water hours".

75. The daily amount of 11.3 million litres pumped remains insufficient to meet the water demand. The primary reasons for the shortfall are leakage, poor water conservation and misuse of water resources.

76. According to the current report, over \$9 million in capital improvement programmes has been spent since 1980 to improve and expand the water system.

77. Under a grant of \$4.7 million from the Department of the Interior, a rural water systems project for 19 villages was initiated in Palau in 1984. Since that date, nine of those systems, which include catchment tanks, deep water wells and dams, have been constructed. The United States Congress approved an additional \$2.5 million for financial year 1991 to construct five more systems, leaving five still to be constructed.

78. The sewerage system in Palau now serves some 4,000 to 5,000 people living in Koror or adjacent areas. Under a \$1 million grant from the United States Environmental Protection Agency (EPA), 450 house and building sewerage connections are being completed. Under another EPA grant of approximately \$500,000, the construction of rural sanitation facilities in some 500 outer island dwellings is under way or will begin as soon as cement is delivered from off-island sources.

H. Tourism

79. The Micronesian Regional Tourism Council, a private, non-profit organization, serves as a coordinating agency for promotional and other tourist-related activities in the Trust Territory.

80. During the period under review, the number of tourists to Palau, mostly from Japan and the United States, increased in 1989, arrivals totalled 26,005, compared with 22,675 in 1988, representing an increase of 15 per cent. The increase is attributed to the extra 76 flights to the Territory by Continental/Air Micronesia. Hotel and motel accommodations decreased from 386 rooms in 1989 to 379 rooms in 1990. According to the current report, a 60-room hotel which had been destroyed by fire, had not reopened. According to a survey carried out by the Palau Visitors Authority, the average length of stay per tourist was 4.6 days, with a daily expenditure of \$89.

81. During the same period, there were 20 restaurants, 9 gift shops, 9 car rental companies, 5 taxi companies, 2 local airlines and 2 sea transportation companies in the Territory.

I. Transportation and communication

82. The Micronesian Shipping Commission, composed of members from the Federated States of Micronesia, the Marshall Islands and Palau, continues to regulate shipping service operations in Micronesia. Regular shipping service to the west coast of the United States and Japan is provided by four shipping companies.

83. According to the current annual report, the present number of carriers is still adequate to supply needed goods to Palau. The only commercial port, which is at Malakal Harbor, requires improvements and expansion to alleviate congestion. There are two major access waterways leading to the commercial port that are marked by an international lateral buoyage system; the system is maintained by the Administering Authority.

84. Domestic surface transportation between Koror and outlying states is mostly by boat. The Government of Palau also operates a marine patrol boat and a landing craft facility. There were an estimated 234 outboard motor boats in Palau during the period under review.

85. In 1990, there were 64 kilometres of paved roads and 2,104 registered motor vehicles in Palau. Further, there were 1,526 telephones, 22 telex subscribers, 70 facsimile subscribers and 1,280 television receivers.

86. According to the current annual report, no appreciable improvements have been made to Palau's road system in the past year. The new United States Federal Operations and Maintenance Program, funded at \$1.5 million, is expected to address this situation, including the rehabilitation of the Koror-Babelthuap bridge and the airport road, in the near future.

87. The Palau International Airport has a 2,195-metre asphalt runway. Continental/Air Micronesia is the only international carrier to serve Palau, with 13 regular weekly flights. During 1990 it increased its flights by 76, bringing in an additional 13,000 tourists to Palau. There are occasional charter flights from Japan by Japan Air Lines and All Nippon Airways. In addition, one local airline operates between Koror and the outlying states of Angaur and Peleliu.

IV. SOCIAL ADVANCEMENT

A. Human rights

88. The inhabitants of the Trust Territory are guaranteed, inter alia, the following basic human rights and fundamental freedoms as set forth in the Trust Territory Code and the constitutions of each of the national and state governments that make up the Trust Territory: freedom of religion, of speech and of the press; the right of assembly and the right to petition; no slavery or involuntary servitude; protection against unreasonable search and seizure; no deprivation of life, liberty or property without due process of law; no

discrimination on account of race, sex or language; writ of habeas corpus; protection of trade and property rights; and due recognition of local customs. The right of petition is granted and inhabitants have petitioned the United Nations and the Administering Authority.

89. Women in the Trust Territory are equal to men under the law. They have equal access to courts and equal rights to own property, to control earnings, to act as guardians, to engage in business, to hold public office and to vote. The strength of local custom, however, may influence the exercise of these rights to varying degrees.

B. Medical and health services

90. The centre of Palau's health system is the 68-bed MacDonald Memorial Hospital located at Koror, where 68 per cent of the population resides. With the improvement of the road infrastructure, some 79 per cent of the population has easy access to the hospital.

91. Residents outside the centre rely for primary care on 13 dispensaries located in 12 of the 16 states of Palau and travel to the hospital for secondary and more sophisticated care. Travel time between the outlying areas and the hospital at Koror ranges from 20 minutes to two hours by boat or plane, depending on tide, weather conditions and distance. Conditions of the outlying dispensaries staffed by health assistants, range from poor to fair and functional. The Southwest Islanders, numbering approximately 150 people, must wait for field-trip ships to travel to the centre for care. There is daily contact via short-wave radio to the communications centre and the hospital, however. Emergency evacuations for Southwest Islanders are made as necessary.

92. According to the current annual report of the Administering Authority, the staff, equipment and facilities at the hospital are not fully adequate for primary and secondary care. During the period under review, a total of 90 patients with more complicated illnesses requiring secondary and tertiary care were referred to facilities in Guam, the Philippines and Hawaii. The Government of Palau pays for half the cost of medical care, while the patient is responsible for the other half, plus transportation and off-island living expenses. No patient is refused medical referral, however, if unable to pay his or her share of the expenses. During fiscal year 1990, the estimated cost of off-island referrals amounted to \$714,500, which included the operation of the Hawaii-based Medical Referral Office. Consultants are also brought to Palau to evaluate patients and to perform surgery locally. Referrals were increased by 60 per cent without increasing costs owing to the reduced cost of services provided by hospitals in the Philippines.

93. As reported in the previous annual report, construction had begun in January 1989 on a new health facility to replace the MacDonald Memorial Hospital at Koror. Over 60 per cent of the funding had been approved by the United States Congress. At its fifty-eighth session, the Administering

Authority informed the Trusteeship Council that the hospital was expected to be completed by 1992 at a total cost of approximately \$25 million. 16/ According to the current annual report, to date a total of approximately \$16.0 million has been appropriated for the new hospital. During the period under review, per capita expenditure on health amounted to \$153.13. Funding was derived mostly from United States federal grants, the Government of Palau, WHO, UNFPA and UNICEF.

94. Medical care in 1989 was provided by 6 fully qualified doctors, 5 medical officers, 5 registered nurses, 48 graduate nurses, 15 practical nurses and 19 health assistants. According to the current report, the per capita ratio of fully qualified medical doctors was 1:2,044.

95. In 1989, daily care was provided at the dental clinic by two dental officers, four nurses, one laboratory technician, one dental assistant and five assistant trainees. Nurses visit schools regularly to administer a fluoride mouth-rinse programme, conduct dental health education and make field trips to outlying states to provide dental care.

96. The leading causes of death in Palau in 1989 continued to be circulatory and respiratory diseases. There was a total of 101 deaths in 1989, a decrease of 11 from the previous year. During the reporting period, there were 309 live births or a crude birth rate of 21.7 per 1,000, and 5 infant deaths or an infant mortality rate 16.2 per 1,000, a decrease from 27.4 per 1,000 in the previous period. No maternal deaths have occurred in the last 10 years in Palau.

97. The United States Public Health Service, the Communicable Disease Control Agency and EPA cooperate with the Trust Territory in providing some laboratory services, special grant assistance and environmental and epidemiological consultation. Each year a number of consultants are provided to the Trust Territory by the United States Public Health Service, the Energy Resources Development Agency, United States federal agencies, WHO, SPC, the Tripler Army Medical Center, Letterman Hospital, the Naval Regional Medical Center on Guam, the School of Public Health, the Nursing School of Medicine of the University of Hawaii and other institutions in the United States. These organizations continue to offer training opportunities through fellowships and in-service training seminars.

98. The Trust Territory is affiliated with WHO, Western Pacific Region, and actively supports and subscribes to the International Sanitary Regulations and makes epidemiological reports to WHO. WHO and the health section of SPC provide technical assistance upon request. All aspects of collaboration with WHO were transferred to the four constitutional Governments in July 1986. Palau now has direct agreements with SPC, UNICEF, UNFPA and ESCAP. Maternal and child health care, family planning programmes and communicable disease control are available. Federally funded programmes raised the immunization level for all children between one and six years of age to 95.8 per cent against the seven vaccine-preventable diseases.

C. Community development

99. The Palau Bureau of Community Services provides youth development programmes, circulates video programmes on the dangers of drugs and alcoholism, is responsible for identifying and protecting the cultural and historical heritage of Palau and serves as a focal point for women's interests.

100. The mental health programme has been expanded to emphasize drug abuse. A social worker and a psychiatrist have been hired to assist in the programme's services. In 1987, when drug use was at its peak, 64 people were treated for drug-related problems. Currently there are no known hard drug users and only three former users who receive treatment for related problems. Alcohol and marijuana use continued due to the availability of the substances in the islands.

101. The Administering Authority's report states that health education programmes, seminars and conferences on drug prevention and drug abuse have been held on the island, although it is difficult to ascertain whether they have had any effect on the decline of drug abuse. It could be said, however, that the decline in the number of hard drug users was due to the Drug Enforcement Agency's arrests, which greatly reduced the commerce in hard substances (see also paras. 111 and 112).

102. The Palau Social Security System has now been in operation for three years. It covers all workers in Palau and Palauans working outside the Territory and is administered by five Board members appointed by the President and confirmed by the Senate of the Olbiil Era Kelulau. Contributions to the system in 1989/90 amounted to \$1,470,800. Currently 1,010 beneficiaries receive payments from the social security whose total disbursements in 1989/90 amounted to \$1,716,800.

103. A 13-member United States Navy Civic Action Team (Seabees) continued operations in the Trust Territory at the request of the local Government. As in past years, the Civic Action Team provided rural communities with small-scale construction projects such as farm roads, school improvements and other facilities. The team also provided some health treatment through its medic and trained local youths in the use and maintenance of construction equipment and techniques. A community-based council determines what projects will be addressed by the team. This team of 13 construction and medical workers constitutes the only military presence in the Trust Territory.

D. Labour

104. In 1990, a total of 1,410 persons were employed by the Government of Palau, a decrease of 253 from 1989. A further 3,206, half of whom were from the Philippines, were employed in the private sector.

105. The Palau Civil Service Pension Plan and Retirement Fund legislation was enacted in April 1987 to provide annuities and benefits to government

employees and to encourage qualified personnel to enter government service. Employees and the Government make matching contributions of 6 per cent of their salary to the Fund.

E. Public safety

106. The current annual report states that, as part of the general reduction of the operations of the Trust Territory administration in Saipan, the Office of the Attorney-General has been phased out completely. Most functions have been transferred to the constitutional Government of Palau. Legal matters involving the Trust Territory are handled either by a contract attorney or the solicitor's office of the Department of the Interior.

107. The statutory laws of the Trust Territory are codified in the Trust Territory Code. Additional legal sources are the following: (a) the Trusteeship Agreement; (b) applicable United States laws, including executive orders of the President of the United States and orders of the Secretary of the Interior; (c) acts of the legislative body of the Republic of Palau; (d) the constitutions of the Governments; (e) rules and regulations issued pursuant to the law; (f) executive orders of the chief executives of the constitutional Governments; (g) municipal and state ordinances; (h) common law; and (i) customary law. The customary laws of the various parts of the Territory have the full force and effect of law, provided there is no conflict with statutory and other written laws specifically applicable in the Trust Territory.

108. The Bureau of Public Safety, which is responsible for maintaining order and protecting life and property in Palau, had a staff of 72 in 1990. During the period under review, it had been aggressively enforcing existing laws against trafficking in illegal substances.

109. Three fishing vessels were seized for illegal fishing and entry into Palau's exclusive economic zone during the reporting year. The fishing vessels had a total of 78 crewmen: 29 from Hong Kong, 31 from the Philippines and 18 from Indonesia. All were held in custody in their boats pending court action.

110. During the period under review, a total of 243 major crimes were reported. There were 7 homicides, 22 aggravated assaults and 214 reported cases of theft with violence. The number of prisoners totalled 52 during the same period.

111. In recent years, Palau has pursued efforts to control illicit drugs by enforcing drug laws and providing neighbouring islands with information on drug smuggling in the region. In 1988, the Palau Drug Free Education Program was funded for three years in an effort to reduce alcohol- and drug-related problems. International drug trafficking was significantly reduced when 13 Palauans were arrested in August 1989. They subsequently pleaded guilty to trafficking in heroin and marijuana.

112. During the period under review, \$262,000 was allocated to the Palau Drug Free Education Program and Drug Free Training Program to fund activities geared towards reducing the level of alcohol- and drug-related problems. Activities included research to determine the extent of alcohol- and drug-related problems, developing school curriculum, training personnel to carry out drug free activities, developing out-of-school preventive programmes and improving coordination and collaboration of various agencies involved in the effort. Drug free education programme curriculum and materials have been developed to support the programme in the schools.

F. Peace Corps

113. During the period under review, Peace Corps volunteers in Palau numbered 13. At the invitation of the Government of Palau, the Peace Corps serves in projects developed by the national and state governments. In September 1990, all volunteers were assigned to a Youth Programme Development Project in rural or outer island communities. Under a project initiated in 1987, all volunteers teach English as a second language in their respective communities.

V. EDUCATIONAL ADVANCEMENT

A. General

114. The Trust Territory Office of Education was closed after the transfer of all federal education programmes to the Palau Government in 1987. Palau is considered a "state agency" in its own right and administers programmes according the terms of each programme.

115. All the principal educational responsibilities handled by the former Trust Territory Office of Education were transferred to the Palau Bureau of Education, Ministry of Social Services.

B. Primary and secondary education

116. During the period under review, there were 22 public elementary schools in Palau. Elementary school enrolment totalled 2,494 pupils of whom 369 were in the 2 private elementary schools. Of the 168 elementary teachers, most of whom were Palauans, some 150 were degree holders.

117. After eight years of compulsory elementary education, a student may enrol at the only public high school or at one of the five private (church affiliated) high schools. An estimated 95 per cent of students who complete elementary education go on to secondary education. Education is compulsory in Palau for children from the age of 6 to 14.

118. Each year, Palau High School administers entrance tests in English, science and social studies and mathematics to determine the ability of the students to take regular high school programmes. For 1989-1990, of the 295 students who took the entrance test, only 54 per cent passed and were placed in the regular Palau High School programme. About 60 students or 18 per cent were placed in the high school remedial programme. Some 136 students (46 per cent) who did not pass the test were absorbed by the high school remedial programme in the five private high schools.

119. During the period under review, secondary school enrolment totalled 1,055 pupils, of whom 445 were enrolled in private institutions.

120. Some students are also enrolled in schools outside Palau. The current annual report estimates that for the past 11 years, at least 75 per cent of students who graduate from Palau secondary schools go on to post-secondary education, mostly outside of Palau.

121. Currently, the Bureau of Education, through the Division of Curriculum Development, implements 11 federally funded programmes to support the education system in the areas of: (a) instruction to students on basic skills; (b) development and reproduction of locally developed instructional materials; (c) the acquisitions of commercially developed instructional materials; and (d) the training of teachers in the use of effective teaching technologies, etc. The 11 programmes cover, inter alia, the following: (a) bilingual education; (b) education consolidation improvement; (c) territorial teacher-training; (d) state desegregation; (e) vocational rehabilitation; (f) drug free education (see para. 94); (g) nutrition assistance; and (h) leadership development. Funding for the 11 programmes amounts to some \$3.7 million.

C. Higher education

122. In 1989, approximately 700 Trust Territory students were enrolled in various colleges and universities abroad, mostly on the United States mainland, Hawaii, Guam, Japan and Australia. Financial assistance for those students comes from United States federal aid, Palau national scholarships, Pacific Island student loans, family contributions and part-time employment.

D. Vocational training

123. In Palau, the main educational institution providing vocational training is the Micronesia Occupational College. The college serves all Micronesia with enrolment from various ethnic areas including Yap, Truk, Pohnpei, Kosrae in the Federated States of Micronesia and the Marshall Islands.

124. The College offers vocational education courses including construction trades and business courses leading to an Associate of Arts/Science degree. Enrolment at the College averages about 400 students during the regular sessions and over 200 during the summer sessions.

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E. Teacher training

125. According to the current annual report, under the five-year education plan in Palau, all teachers must have a Bachelor of Arts degree by 1990. Prior to 1990, an associate degree was required. In order to meet this requirement, the Palau Bureau of Education entered into an agreement with the United States International University for an ongoing degree programme which has been conducted in Palau since January 1987. During the period under review, it was reported that 90 per cent of the teachers held associate or bachelor's degrees. Since 1981, the Bureau of Education of Palau has arranged extension courses for teachers with the University of Hawaii, the San José State University and the University of Guam with funds made available by the Trust Territory Training Assistance Program.

F. Dissemination of information on the United Nations

126. In previous sessions of the Trusteeship Council, the Administering Authority stated that it was ready to cooperate fully with the United Nations in any effort to improve the quality of information provided on the Organization and to update the mailing and distribution lists.

VI. SPECIAL ISSUE

War damage claims

127. War damage claims by the inhabitants of the Trust Territory fall into two broad categories: claims against the Governments of the United States and Japan, mainly for damages sustained by the indigenous inhabitants during the Second World War (Title I claims); and post-war claims against the Government of the United States (Title II claims).

128. The Micronesian Claims Commission, which was established in 1971 with authority to receive, examine, adjudicate and render decisions on war damage claims, completed its work in July 1976. The total amounts awarded by the Commission were \$34,349,509 under Title I and \$32,634,403 under Title II. All claims under Title II have already been settled. With regard to the claims under Title I, the Governments of Japan and the United States had, in an agreement signed in 1969, joined in an *ex gratia* arrangement to make available a contribution of \$5 million each towards the welfare of the inhabitants of the Territory. Consequently, that payment by the two Governments reduced the outstanding war claims under Title I to \$24,349,509.

129. According to the 1987 annual report of the Administering Authority, 17/ budgetary provision of \$12.5 million had been made to pay 50 per cent of the balance due under Title I war claims.

130. In its 1988 and 1989 annual reports, the Administering Authority states that processing of awards was transferred in 1983 from the Trust Territory headquarters to the United States Department of the Interior. During 1988, a

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system was established to distribute the balance of the \$22 million still outstanding and distribution began in that year. The balance due for complete payment of the war claims obligations (about \$10 million) was appropriated in the fiscal year 1989 budget and combined with the 1988 appropriation.

131. During the period under review, some \$121,000 was received in Palau to cover Title I war claims for some 70 claimants. According to the current annual report, final payment of the Title I war claims is nearly complete. Title II payments were completed several years ago.

132. During the course of the fifty-eighth session of the Trusteeship Council, the representative of the United States stated that some 91 per cent of the outstanding payments had been made in Palau. Outstanding settlements, where original beneficiaries were deceased or where other problems existed, were being processed with the cooperation of the Palauan authorities. Of the total award of some \$5.8 million issued by the Micronesian Claims Commission to recipients in Palau, some \$5.2 million had been paid. She further stated that the Department of the Interior, through its office Palau, would coordinate with local authorities in the processing of the remainder of the payments in a timely manner.

Notes

1/ Also issued as document S/22008.

2/ Trusteeship Agreement for the Trust Territory of the Pacific Islands (United Nations publication, Sales No. 1957.VI.A.1).

3/ 1990 Trust Territory of the Pacific Islands, October 1, 1989 to September 30, 1990, forty-third annual report to the United Nations on the administration of the Trust Territory of the Pacific Islands, transmitted by the United States of America to the United Nations pursuant to Article 88 of the Charter of the United Nations (Department of the Interior).

4/ See T/PV.1683.

5/ Official Records of the Security Council, Fortieth Year, Special Supplement No. 1 (S/17334 and Corr.1); Official Records of the Trusteeship Council, Fiftieth Session, Supplement No. 3 (T/1851); ibid., Fifty-third Session, Supplement No. 1 (T/1878); ibid., Supplement No. 2 (T/1885); ibid., Fifty-fourth Session, Supplement No. 2 (T/1919); ibid., Supplement No. 3 (T/1920); ibid., Fifty-sixth Session, Supplement No. 1 (T/1935); and ibid., Fifty-seventh Session, Supplement No. 1 (T/1942 and Corr.1). See also T/L.1269 and T/L.1274.

6/ Official Records of the Security Council, Forty-first Year, Special Supplement No. 1 (S/18238), para. 211.

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Notes (continued)

7/ For the text of the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America, see Official Records of the Trusteeship Council, Forty-second Session, Sessional Fascicle, annexes, document T/1759.

8/ T/1903.

9/ Official Records of the Security Council, Forty-second Year, Special Supplement No. 1 (S/19596), para. 202; ibid., Forty-third Year, Special Supplement No. 1 (S/20168), para. 120.

10/ Ibid., Forty-fourth Year, Special Supplement No. 1 (S/20843), para. 172.

11/ Ibid., Forty-fifth Year, Special Supplement No. 1 (S/22212), para. 152.

12/ T/L.1278.

13/ See S/PV.2972.

14/ For the report of the Mission, see Official Records of the Trusteeship Council, Fifty-seventh Session, Supplement No. 1 (T/1942 and Corr.1).

15/ The currency of the Territory is the United States dollar (\$US).

16/ See T/PV.1685.

17/ 1987 Trust Territory of the Pacific Islands, October 1, 1986 to September 30, 1987, fortieth annual report to the United Nations on the administration of the Trust Territory of the Pacific Islands, transmitted by the United States of America to the United Nations pursuant to Article 88 of the Charter of the United Nations (Department of the Interior).



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REGARD TO THE IMPLEMENTATION OF THE
DECLARATION ON THE GRANTING OF
INDEPENDENCE TO COLONIAL COUNTRIES
AND PEOPLES

BERMUDA

Working paper prepared by the Secretariat

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BERMUDA 1/

I. GENERAL

1. Bermuda is located in the western part of the Atlantic Ocean about 917 kilometres east of Cape Hatteras on the North Carolina coast of the United States of America.

2. Bermuda consists of about 150 islands and islets extending from north-east to south-west along the edge of an extinct, submarine volcano. Many of the islands are uninhabited and rise above sea level to an average height of 30 metres and a maximum elevation of 86 metres. The terrain is generally hilly, with fertile depressions and some marshy areas. The largest island, known as the main island, is about 22.5 kilometres long and has a maximum width of 3.2 kilometres. It covers an area of about 3,650 hectares, consisting mostly of a fertile shallow valley. The average depth of soil throughout the islands is about 10 centimetres. The soil consists mainly of shell-bearing coral sands of a reddish brown colour.

3. There are no fresh water lakes or rivers in Bermuda. The Territory has a total area of 53.35 square kilometres. About one tenth of the total land area is currently leased to the United States Government for military bases. The climate is generally mild and humid, with a mean annual temperature of 21 degrees centigrade. The average annual rainfall is 1,470 millimetres. The hurricane season runs from June to November. The climate is influenced by the presence of the Gulf Stream nearby, which warms both the water and the air, thus permitting the unique existence of coral animals in such northern latitudes. Although Bermuda had not been affected by hurricanes for nearly a quarter of a century, it suffered damage from hurricanes in 1987 and 1989.

4. In 1988, the population of Bermuda was estimated at 59,000. The census is taken every 10 years and the last one, taken in 1980, recorded a total population of 54,050, which included 33,158 Blacks (61 per cent) and 41 per cent White and other races in 1970. The Territory has a substantial foreign-born population, with 34 per cent originating from the United Kingdom of Great Britain and Northern Ireland, 20 per cent from the United States, 12 per cent from Portugal/Azores, 10 per cent from Canada and 10 per cent from the Caribbean.

5. In February 1991, the Senate unanimously approved a regulation for a census to be conducted on the day and night of 20 May by 40 supervisors and 200 enumerators who would collect general information on the population of Bermuda, including, for the first time, the financial status of each individual. The initial results of the census would be known by the end of 1991 and the full results should be published by May 1992. 2/

II. CONSTITUTIONAL AND POLITICAL DEVELOPMENTS

A. General

6. The present Constitution of the Territory, introduced in June 1968 and amended in 1973, 1979 and 1989, contains provisions relating to the protection of fundamental rights and freedoms of the individual; the powers and duties of the Governor; and the composition, powers and procedure of the Legislature, the Executive, the Judiciary, the public service and finance.

7. The Government of Bermuda consists of a Governor, a Deputy Governor, a Cabinet and a bicameral Legislature comprising a Senate and a House of Assembly. The Governor, appointed by the Queen, is responsible for defence, external affairs, internal security and the police. The Governor may delegate some responsibilities in these areas to the Bermuda Government. In exercising his reserved powers, the Governor is required to consult with the Governor's Council, which is composed of himself, the Premier and two or three ministers nominated by the Premier. The Premier and his Cabinet, through the Legislature, have full responsibility for the Government, except where restricted by the Governor's reserved powers. The Secretary of the Cabinet, appointed by the Governor in accordance with a recommendation of the Premier, heads the public service and acts as Secretary to the Governor's Council.

8. For further information on constitutional and political developments in the Territory, see the working paper prepared by the Secretariat in 1990 (A/AC.109/1025, paras. 9-23).

B. Future political status

9. Following the general elections of February 1989, the Premier of Bermuda conceded that the question of independence was no longer a major issue and stated that "the majority of the people do not seem to want independence at present, and I go with the will of the people". He also said that he felt reasonably content with the situation whereby the United Kingdom was the political partner and the United States and Canada were the principal trading partners. The Premier stated that his Government would pay special attention to the problem of drug trafficking and the laundering of illegal money. He added that the question of overcrowding of the Territory would also be addressed by his Government in view of the fact that after the installation of two United States bases only about 49.21 square kilometres of land would be available for the 58,000 residents and some 600,000 visitors annually. The Government would have to continue to maintain the delicate balance of free enterprise and controls needed to sustain the existing high standards. He also mentioned the issue of underlying racial tension, pointing out that there was widespread feeling that Black people, who represented some 70 per cent of the resident population, did not have their rightful share of power and that the Government was still controlled by White Bermudians, who represented business interests and traditionally rich families.

10. The leader of the Bermuda Progressive Labour Party (PLP) has described his party as the "Government in waiting" and has stated that his party is ready to govern the Territory. He has not proposed any radical changes, since he is convinced that the governing party had adopted a number of PLP policies. He would, however, put more emphasis on domestic social reforms, particularly in relation to the shortage of housing. He would also review the entire tax system. He would encourage international business by appointing a special minister for the sector to provide it with better infrastructure and support and would request a greater number of executive positions for Bermudians. The leader of the Opposition is also a strong supporter of independence, which he believes would help to unify the people in Bermuda and lessen the tension between Blacks and the White minority.

11. In the Speech from the Throne, delivered by Princess Margaret on 22 November 1990, 3/ the Government of Bermuda, noting the changes taking place in the international community, called for the adoption of a plan to minimize the impact of negative international events and to position Bermuda to meet the challenges and to seize the opportunities presented by external changes. The Government stressed its commitment to five key objectives, namely, economic stability and responsible management; equality of opportunity; enhancement of the environment; social stability and security; and building a Bermudian consensus.

12. The Governor of Bermuda stated that the Government recognized that the complexities that would confront Bermuda in the future would necessitate different solutions and must include greater participation of individuals from all segments of the population of the Territory.

13. A survey commissioned by the Government in 1990 4/ and published on 22 February 1991 concluded that while Bermudians were generally satisfied with their jobs and personal lives, they were also concerned about the future of the Territory, particularly with regard to crime and declining living standards. The most notable finding was that 92 per cent of the population regarded drug abuse as a growing problem. The last similar survey was conducted in 1984 and showed Bermudians expressing a widespread perception that foreigners were taking jobs from them. While that perception still existed, the new survey found that this concern was less serious because of recent efforts by the Government to encourage "Bermudianization". The survey also indicated that about 66 per cent of the more than 1,000 people surveyed said that they opposed independence, at least before 1995, and that should the need arise for a decision on that issue, it should be by means of public referendum.

14. Commenting on the results of the survey in the House of Assembly, the Opposition Leader welcomed the study as an important document. He said that the study highlighted the concern among Bermudians over race relations. He accused the Government of obstructing any discussion on the subject, and called for the conclusions of the survey to be the object of a debate in the House of Assembly. The Premier responded that most people agreed that the information provided was very relevant to Bermuda, particularly when the Government planned to adopt a policy that focused on the preoccupations of the

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public at large. He rejected the criticism of the Leader of the Opposition, noting that only 20 per cent of the people surveyed believed that race relations represented a major problem. He also noted that the people seemed to be more concerned about the future.

15. During the period under review, the members of the United Bermuda Party (UBP) affiliated with the organisation "Concerned Bermudians" were not very active, according to the chairman of the group's Steering Committee. 5/ Fighting independence still remained the main preoccupation of the group, although the issue of independence was apparently no longer a major issue in the Territory. The group concentrated on economic issues, and stressed the need to speak out against government spending. The group, in its fourth year of existence, claims a membership of more than 100, with many members holding some position of power within UBP, particularly at the constituency level.

16. The Chairman of the Committee for the Independence of Bermuda, formed in 1990 "to educate the people and push for independence for Bermuda", who attended the Special Committee's seminar held in Barbados in June 1990 in commemoration of the thirtieth anniversary of the Declaration on the Granting of Independence to Colonial Countries and Peoples, stated that the political leaders of Bermuda lacked the necessary courage to lead Bermuda to independence. He added that, although surveys had shown that a majority of Bermudians opposed independence, the leaders of the three political parties supported independence. On 6 February 1991, the Committee for the Independence of Bermuda held a forum on citizenship and Bermudian rights. Its Chairman stated that British-born residents holding Bermudian status held a minority veto over independence. He added that "people with status have the same rights as any Bermudian, although they are not born here. But they are also likely to have citizenship in another country. Those with citizenship in another country have no real interest in seeing Bermuda go independent and would likely constitute a minority veto in a vote on independence". 6/

17. Speaking on the future status of Bermuda at a forum on independence held on 30 August 1990, the Minister for Delegated External and Legislative Affairs stated that "with the recessionary climate of the past year being intensified by the Gulf crisis and all the uncertainty it was engendering, the consideration of independence was not a high priority". He further stated that independence could threaten the local economy by shaking investors' confidence and that the loss of security provided by the constitutional association of Bermuda with the United Kingdom could threaten the existing climate of "psychological security" for the tourist and international business. In his view, association with the United Kingdom enabled the territorial Government to negotiate successfully such important matters as a tax treaty with the United States, designated status under the United Kingdom financial services legislation and the extension of the Organisation for Economic Cooperation and Development convention to Bermuda. He called upon Bermudians to be cautious and prudent when considering the question of the future status of the Territory. 7/

C. External relations

18. On 21 October 1988, the Senate of the United States ratified the United States-Bermuda Tax Treaty on the basis that it would promote continued close economic, political and military cooperation between the United States and Bermuda. 8/ The Treaty grants Bermuda the same concessions as those enjoyed by Barbados in its tax policy with regard to United States insurance companies. In addition, the Treaty contains mutual assistance provisions on the exchange of information, which should be of significant benefit to the United States tax authorities in their efforts to enforce United States tax laws.

19. The Treaty allows United States companies to deduct expenses incurred at conventions held in Bermuda from their income tax returns. It further qualified Bermuda as a place where United States corporations can set up subsidiary operations and receive United States trade exports incentives. Prior to ratification, the United States Senate had altered the Tax Treaty by adding an amendment that would terminate in 1990 the excise tax exemption accorded to United States insurers based in Bermuda. The House of Assembly of Bermuda endorsed the amendment in June 1989, 9/ thus obligating Bermudian-based insurers to pay United States excise tax on United States premiums paid to them after 1 January 1990.

D. Public service

20. In January 1991, 10/ a training programme that emphasized working relations and efficiency was organized to enhance the quality of the civil service. A total of 12 courses were held at the Department of Personnel Services Training Centre on supervisory skills needed in government administration and the recruitment and selection of managers and supervisors as well as on productivity. A basic leadership course was aimed at helping supervisors to organize group projects; another was designed to give employees the skills to conduct effective and successful negotiations; and a third was aimed at improving managers' administrative capabilities. Also included were courses on the use of drugs and alcohol in the work place to help employees and supervisors address the problems of drug and alcohol dependency, as well as with grievances and absenteeism.

21. It was reported on 21 February 1991 that the budget for 1991 11/ contained a provision for the elimination of 120 government programmes and 113 positions in the administration, at a savings of more than \$B 15 million. 12/ The Government also announced that it remained committed to lowering operating costs in the civil service by freezing recruitment and reducing personnel through attrition. The Minister for Finance stated that the Government would lead the way in holding down salaries, as evidenced by its decision not to raise the salaries of the Members of Parliament, which have been maintained at the same level since 1987. He reaffirmed the goal of the Government to hold wage increases below the rate of inflation, saying that "it is simply not going to be possible for the majority of us to achieve an

increased standard of living in the future. Indeed, many of us will be lucky to retain even our current standard of living". 11/

III. MILITARY INSTALLATIONS

22. Canada, the United Kingdom and the United States maintain military installations in Bermuda. Information relating to foreign military activities in the Territory is set out in document A/AC.109/1065.

IV. ECONOMIC CONDITIONS

A. General

23. Bermuda has no natural resources in the conventional sense upon which to build a viable economy. Throughout its history, it has capitalized on its strategic geographical location and its favourable climate to develop an important tourist industry. The resourcefulness of its people represented a great advantage in building a sound international financial industry, which has become a significant contributor to its economic base.

24. Tourism accounts for a major portion of Bermuda's foreign exchange earnings and for a substantial share of its employment. Since the 1960s, the international financial industry has grown rapidly, and its contribution to the economy is of increasing importance. Most goods have to be imported, since the economy of the Territory is based on the services sector. Agriculture, fisheries and manufacturing are not sufficiently developed. Despite this, the majority of the population enjoys a high standard of living.

25. The amount of land available for agricultural purposes is 251 hectares, of which 152 hectares are devoted to vegetable farming, 42 hectares to fruit growing (mainly banana and citrus), 22 hectares to pasture, 19 hectares to fallow, 14 hectares to forage and 2 hectares to flower cultivation. Because of the generally mild climate, it is possible to obtain two crops a year. Agriculture, as practised in Bermuda, is best described as a system of small market gardening holdings. The growers normally sell their produce directly to the consumer although, in certain cases, the Government gives some assistance by marketing the produce for them. Total production contributes only a small percentage to the overall food requirements of the Territory: egg production meets about 50 per cent of the total domestic requirements; milk about 20 per cent; potatoes, 65 per cent; other vegetables, 50 per cent; and citrus fruits and bananas, 50 per cent.

26. Given the scarcity of available land in Bermuda and the fact that the economy of the Territory is based on the services sector, the size and volume of production of the few industrial plants is limited. Local industries include the manufacture of paint and pharmaceuticals, printing, fish processing and ship repairing. In its effort to develop in the Territory a centre for computer technology, including the production of software, the

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Government has sought in recent years to attract high-technology firms to Bermuda and to enable the locally based computer companies to expand their business.

27. In January 1988, the Government started work on a new development plan for Bermuda with a view to involving the public as closely as possible in its preparation. In June 1988, the Department of Planning announced its intention to solicit the people's views on Bermuda's environment and to foster awareness of the need to manage carefully and to plan the use and development of the Territory's limited resources. In January 1989, 57 members were appointed to membership in the four working groups covering the main areas of the development plan, namely, population and housing, environment and open space, traffic and transportation, and economy and employment.

28. The working groups recommended that the economic growth of Bermuda should be geared to, and dependent on, the availability of local resources. They recommended the promotion of "environmentally friendly" growth, which would not require high levels of immigration. The need to limit immigration was considered a major challenge for the Territory. 13/

29. The working groups also underlined the importance of tourism as the major element in Bermuda's economy. It was generally believed that measures should be taken to render housing more affordable and accessible to first-time buyers. Other issues discussed included the preservation of open spaces and the importance of gathering effective information relating to Bermuda's changing economic, physical and social conditions in order to assist the Government in making decisions. Finally, it was agreed that a national planning agency should be established to monitor the implementation of the development plan. 13/

30. In the Throne Speech, the Government explained its policy for 1991, 3/ aimed at ensuring the Territory's economic and social stability and avoiding a decrease in living standards. Warning against the adverse effects of the international situation and of the recessionary conditions in North America, the Government of Bermuda planned to minimize the consequences on the economy by emphasizing careful management, reinforcing established principles and introducing five key objectives, which would constitute a new method of dealing with the challenges of the new decade (see para. 11).

31. In the Speech, which is considered the Government's legislative blueprint for the parliamentary year, the hotel industry was invited to work closely with the Government to improve the competitiveness of Bermuda in tourism. The Government also promised to release a discussion paper on the strategy behind the new Bermuda development plan (for information on the plan, see the previous working paper, A/AC.109/1025, para. 39). The Leader of the Opposition criticized the Speech, saying that it was only a repetition of old policy.

32. The Minister for Finance reported 14/ that provisional figures from the statistical department indicated that in the 1989/90 financial year, the gross

domestic product (GDP) of Bermuda at market price had grown by just 4.8 per cent in nominal terms. This was the lowest rate of growth recorded since territorial accounts data were first compiled in 1975/76. In real terms, the economy was estimated to have contracted by 0.75 per cent in 1989/90. During the past three years, the growth of foreign lending to residents of Bermuda had a negative impact on the current account balance of payments, which decreased from a surplus averaging \$B 100 million per annum in 1986/87 to a small deficit in 1988. The deficit increased in 1989 (\$B 61 million). The Minister reported that owing to a tightening of credit conditions, the balance of payments had improved during the first nine months of 1990 and had shown a surplus of \$B 6 million. Greater earnings from tourism and international business, lower spending abroad by Bermudians and tighter controls on credit helped to improve the figures. Increased oil prices during the latter part of 1990 had a significant impact on the rate of inflation, which was last recorded at 5.9 per cent in August 1990, before the rise in the price of oil. 14/

B. Public finance

33. The office of the Minister for Finance is headed by the Financial Secretary, and comprises two assistant financial secretaries, an economic adviser and a director of budget, as well as administrative, technical and secretarial staff. The principal functions of the Ministry of Finance are to monitor and control government revenue and expenditure and to prepare annual budget estimates and a comprehensive statement of revenue and expenditure for the fiscal year. The Minister for Finance presents a budget to the House of Assembly in February of each year, prior to the commencement of the new financial year on 1 April.

34. According to the approved estimates of revenue and expenditure for 1991/92, government revenues were estimated at \$B 361.6 million, compared with the revised estimates for 1990/91 of \$B 342 million. Current expenditure for 1991/92 was estimated at \$B 322.5 million, compared with revised estimates of \$B 306 million in 1990/91. Capital expenditure for 1991/92 was estimated at \$B 74 million, compared with revised estimates of \$B 51.6 million the previous year.

35. Major expenditures for 1991/92 were to be as follows: health, social services and housing, \$B 74.7 million or 20.7 per cent of total expenditure, compared with \$B 70.1 million in revised estimates for 1990/91; education and culture, \$B 51.5 million or 14.2 per cent (\$B 48 million in 1990/91); finance, \$B 41.9 million or 11.6 per cent (\$B 35.9 million in 1990/91); public works and engineering, \$B 32.7 million or 9.1 per cent (\$B 33.1 million in 1990/91); and tourism \$B 28.8 million or 8 per cent (\$B 27.5 million in 1990/91).

36. The government Statistical Department reported in 1990 that during 1989 Bermuda had imported goods for more than \$B 534 million, of which more than \$B 325 million came from the United States. Total exports amounted to about \$B 50 million, only \$B 70,000 of which represented goods actually produced in Bermuda. 15/

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37. On 27 February 1991, 16/ the Bermuda Progressive Labour Party (PLP), commenting on the 1991/92 budget projections, recommended an in-depth investigation of the Territory's economy as a whole to identify critical areas that would call for public spending and to examine sectors where expenditure could be reduced. PLP also recommended that priorities should be established on the basis of contributions to growth and productivity, and that necessary social programmes in the areas of education and training should be instituted. PLP further recommended that a statistical database that would enable the proper monitoring of the economy should be compiled, and that this information should be used to create and manage an integrated fiscal and monetary policy. PLP criticized the budgetary policies of the Government, which in its view was neglecting a long-term approach to Bermuda's fiscal problems. It suggested that the Territory needed programmes that would capitalize on local Bermudian talent, coupled with fundamental tax reforms based on equity and justice. The House of Assembly approved the budget package proposed by the Government on 28 March 1991. The Senate approved it on 25 April 1991, but recommended that the format of the annual budget debate should be changed, a request supported by members of Parliament.

38. A new bill was introduced in the House of Assembly in March 1991 to allow the Government to raise its borrowing limit from \$B 100 million to \$B 185 million, or more than the limit of 10 per cent of GDP traditionally imposed on government borrowing. 17/ The current GDP in Bermuda is estimated at \$B 1,637 million. The money raised will be used to pay for major capital projects. The Government estimates that it will have debt and loan facilities of \$B 105 million at the end of the current fiscal year, of which \$B 53.6 million consists of outstanding debt and \$B 51.5 million is a guarantee of Bermuda Housing Corporation loans. A budget bill calling for increases in land tax was approved by the House of Assembly on 8 March and was expected to bring in \$B 2.25 million annually in revenue.

C. Banking

39. The Government of Bermuda announced 18/ that it was actively considering the introduction of new regulations for the Territory's banking system in accordance with international legislation designed to prevent the spread of the practice of money laundering, which had been undermining Bermuda's standing as a leading offshore financial centre, and to ensure continued confidence in its financial institutions. According to the Minister for Finance, the existing laws do not adequately allow for the conduct of investigations or for a response to requests for assistance in money laundering cases. Drug money laundering is illegal in Bermuda, although other attempts at concealing illicit gains from other countries are not fully covered by current laws. The Government insists, however, that money laundering is virtually non-existent for the time being because of the Territory's small size and its relatively high degree of regulation. The Government decided to act on this matter in response to an undertaking by the Group of Seven Western industrialized countries whose Financial Action Task Force compiled a document of four principles designed to fight money

laundering. The new legislation will complement regulations issued by the Bermuda Monetary Authority, the Territory's nearest equivalent to a central bank, to local financial institutions, and establish a voluntary code of conduct regarding money laundering.

40. It was reported that, despite the prevalent international, as well as territorial, economic slowdown, banks in Bermuda had announced substantial increases in revenues. Cash and deposits placed with the two largest banks, the Bank of Bermuda and the Bank of Butterfield, rose significantly during 1990. The banks attributed these successful performances to a containment of operating expenses, improved marketing techniques and better quality of services. Total assets of the Bank of Bermuda reached \$B 5.7 billion in 1990 and those of the Bank of Butterfield stood at \$B 3.1 billion. Both banks derived most of their profits from international business in Bermuda and through their subsidiaries outside the Territory (the United Kingdom, the Cayman Islands, the Channel Islands, Luxembourg and Hong Kong). The banks noted, however, that their overall Bermuda dollar liquidities remained low because of reduced earnings from tourism and that their subsidiaries suffered the effects of the weak international markets. 19/

D. International business

41. International companies make both direct and secondary contributions to the economy of Bermuda. Their expenditure is an important invisible export and their trading activities generate direct income to their employees and direct revenue to the public sector and substantial business activities. Next to tourism, the international business sector is the largest export earner in the Territory. The number of incorporations of international companies is one indicator of the activities in this sector. In 1989 this number, which totalled nearly 800, was reportedly 14/ the highest ever recorded in any year. An influx of companies from Hong Kong accounted in part for this increase.

42. International companies are exempt from local tax and from the requirement for local companies that 60 per cent of their shareholding must be in Bermudian hands. The international companies in Bermuda include a wide range of multinational trading and investment companies. Captive insurance companies, mostly from the United States, continue to be attracted to Bermuda although they do not benefit from any real tax advantages and bring substantial premium income into the Territory. 20/

43. An independent study prepared by a British economist, Dr. Brian Archer, entitled "International Companies, 1988, their Impact on the Economy of Bermuda" underlined the importance of this sector by showing that the international companies registered in Bermuda had generated a total of \$B 490 million in 1988, just \$B 16 million less than the amount brought into the Territory by tourism. At the end of 1988 the number of exempted companies, exempted partnerships and permit companies based in Bermuda totalled 6,451 (a revision of the figure previously estimated at 6,359), an

increase of 55 over the previous year. Fewer than 4 per cent of these companies actually had a physical presence in Bermuda, but the study estimated that they accounted for some 77 per cent of total expenditures by all international companies. Wages, salaries and benefits paid to staff amounted to \$B 112 million, although employment by these companies has decreased by 300 from the peak it reached in the 1980s. 21/

44. The study also concluded that the overall impact of international business on the economy of Bermuda was very significant. All forms of export activities produced direct and secondary effects. The expenditure of these firms in the Territory, qualified as invisible exports, contributed directly to the balance of payments. In addition, through their trading activities these companies created direct income for their employees, direct revenue for the public sector, and substantial business revenue in Bermuda through their purchases of goods and services and their payment of professional fees to banks and other institutions.

45. International companies spent \$B 304 million in Bermuda during 1988, some \$B 154 million (50.6 per cent) of which were spent by insurance related companies. Of the total spent, \$B 285 million was paid to the private sector and \$B 18.7 million to the public sector. These expenditures in turn produced other secondary effects while in circulation through the economic system, thus generating additional revenues.

46. Approximately, 26 per cent of international business were insurance related exempted companies, 65 per cent were other types of companies, such as investment holding, and 33 per cent were partnerships and permit companies. The work force employed by these companies was 62 per cent Bermudians and 38 per cent foreigners. The majority of the non-Bermudian labour force (66 per cent) were managers and accountants, compared with only 21.6 per cent of Bermudians occupying similar managerial posts. The actual proportion of Bermudian and non-Bermudian workers in this sector has changed little over the past 12 years.

47. Annual figures released by the Registrar of Companies in February 1991 indicated that 51 new international insurance companies were established in Bermuda in 1990, of which an estimated 46 were "captive insurance companies". The total number of insurance companies established in Bermuda as of 1990 was 1,312. They are called "captives" because they are wholly owned subsidiaries providing services to their parent companies, to save money by avoiding traditional insurance companies. Most of the companies have no physical presence in the Territory but are managed by Bermuda-based insurance management businesses. About 1,300 people were employed in the international business insurance industry in 1990. 6/

48. An investigation conducted by the Sunday Times (London) identified Bermuda as an offshore site used by residents of the United Kingdom to evade the payment of taxes on an estimated \$US 2 billion in capital gains. 22/ Under existing legislation, offshore trusts set up by wealthy British citizens can be sold without incurring the approximately 40 per cent tax rate on

capital gains. Bankers, lawyers and accountants in Bermuda expressed concern over the potential loss of this major revenue source if the United Kingdom Government tightened its tax laws.

E. Transport and communications

49. The only airfield in Bermuda is located at the United States Naval Air Station. It was opened in 1948 to civilian aircraft under an agreement between the Governments of the United States and the United Kingdom. The base was leased to the United States Government for 99 years; and civil aircraft are handled in a small subleased area under the jurisdiction of the Department of Civil Aviation. Under the agreement, the United States Government provides the following services to the Bermuda Government: maintenance of railways; air navigation and meteorological services; air traffic control; and emergency fire, crash and rescue services.

50. Bermuda is served on a regular schedule basis by the following airlines: Air Canada, American Airlines, British Airways, Continental Airlines, Delta Airlines, Pan American Airways and USAir. The Territory is directly connected to major airports in Canada and the United States. Access to Europe is available through Gatwick Airport in London.

51. British Airways services the London-Bermuda route five times a week in winter and six times a week in summer. 23/ One of those flights continues on to Nassau (the Bahamas), one to San Juan (Puerto Rico) and the others fly to Tampa (Florida). According to the airline, passengers flying to the Bahamas and the West Indies will still be well served both through the two-year old route to the important Caribbean airline hub of San Juan and through two new daily 747 flights between London and Miami starting during the summer of 1991. British Airways and its predecessor airlines, Imperial Airways and the British Overseas Airways Corporation have been flying to Bermuda since 1933. British Airways is currently spending about 10.5 million in Bermuda each year in staff payrolls, hotel accommodations, allowances paid for flight crews and airport charges.

F. Shipping

52. Hamilton, the main port of Bermuda, offers modern facilities and docks that can accommodate vessels of up to eight metres in draught. It has approximately 750 metres in berthing space and some 4,000 square metres of shed space. There is also a container park of 2.23 hectares and 200 miles of quay, in addition to two other modern port facilities. On the north side of the island of St. George, Esso Bermuda operates an oil terminal. On Ireland Island, the United Kingdom Royal Navy operates and controls a large area of berthing space, which is used by visiting warships and nuclear-powered submarines of the North Atlantic Treaty Organization (NATO).

53. The port of Hamilton is a port of British registry where ships have been registered since the late 1790s. During recent years, a substantial number of ships was registered. Under the Merchant Shipping Order of 1989, which affected all dependencies and dependent Territories of the United Kingdom, Bermuda was categorized as an A-1 unlimited tonnage registry.

54. The shipping registry is playing a growing role in the Territory's international business sector. Registration of ships results in direct and indirect employment in both the government and private sectors. It also provides substantial revenue to the Government. The increase in tonnage came about as a result of efforts by the Government of Bermuda to make the registry both reputable and competitive.

G. Agriculture and fisheries

55. The administrative organization primarily responsible for government activities relating to fisheries and agriculture is the Department of Agriculture and Fisheries, which is within the Ministry of the Environment. One of its main tasks is to support and develop the local agriculture and the fishing industry in order to exploit and harvest all resources efficiently and to provide the professional and technical services necessary for these purposes. This activity is undertaken with due regard to conservation.

56. The Department of Agriculture and Fisheries maintains liaison with many fisheries-related organizations throughout the world, including the Food and Agriculture Organization of the United Nations (FAO). The budget of the Fisheries Division was estimated at \$B 2.1 million in 1991/92, compared with \$B 2.2 million in 1990/91.

H. Tourism

57. The Department of Tourism sets all policies affecting the tourist industry. It also promotes Bermuda abroad and coordinates all aspects of the industry, such as encouraging special tourist related activities, maintaining high standards of hotels through inspection and licensing, and promoting the importance of the industry to the Territory through a tourism awareness campaign. The Minister for Tourism is advised by the Tourist Board, which is a statutory body. He also appoints members of the Tourist Industry Council, comprising representatives of the Bermuda Hotel Association, the Bermuda Industrial Union, the Chamber of Commerce and of all other tourist sectors. The Council meets periodically to brief the Minister on trends and events in the industry and to make recommendations.

58. The Department of Tourism undertook a publicity campaign placing special emphasis on new market research for the promotion of this vital industry in the United States, Canada and Europe. 24/ The Department also called for an improvement in the quality and prices of hotel rooms and a reduction in airline fares in order to make Bermuda more competitive. The Department

continued to address the problem created by the proliferation of cruise ships, which are viewed as the main competitors of the hotel industry, by maintaining a limit to the number of cruise ships permitted every year. In 1990, the first year of its implementation, the cruise ship policy aimed at restricting the number of passengers to 120,000 achieved its goal since the number of cruise ship visitors was only to 112,000.

59. Figures released by the Government on 7 February 1991 showed that there was an increase of just 4 per cent in the number of tourists arriving by air over the total of 1989 (433,634, compared with 416,891), a year considered poor by the tourist industry. The number of cruise ship visitors was also low (approximately 112,000). 25/ It was conceded that the industry suffered from the effects of the recession in the United States, as well as from the consequences of the events in the Persian Gulf. There was, however, a marginal increase in the length of stay of visitors, thus reversing a recent trend of shorter stays and limited spending.

60. According to the Director of the International Institute of Tourism Studies at George Washington University, Washington, who studied the industry in Bermuda, tourism may now be the world's largest industry, employing over 101 million people worldwide. A leading international expert on tourism, the Director stated that the industry generated gross sales exceeding \$B 2.5 trillion annually, representing some 5.5 per cent of the world's gross national product. For tourism to continue growing in Bermuda and to take full advantage of the industry, it is necessary that a long-term policy be devised taking into account a great number of factors such as health, energy, telecommunications, transportation, technology, finance, historic preservation and education policies, among others. 26/

V. SOCIAL CONDITIONS

A. Environment

61. The independent Member of Parliament, Mr. Smart Hayward, criticized the Government for not having a comprehensive policy to regulate the dumping of industrial and hazardous liquids, stating that in the absence of such a policy dealing with the entire spectrum of household, industrial and hazardous wastes, a variety of seriously caustic chemicals continue to be imported, used and disposed of in ways that could result in damage to the environment and to public health. The Government should prosecute both private individuals and companies who illegally dump trash and industrial wastes. 27/

62. The Ministry of the Environment announced a plan for the creation of the first marine park in the Territory to enhance and protect the marine environment. Boats will no longer be allowed to moor or drop anchor in the designated areas which are home to mangroves, turtle grass and baby turtles. The same plan also calls for five more parks, in addition to the national parks programme, making the Government the owner of some 70 national parks with a total of 304 hectares of land. Bermudians were invited to inspect the

proposed plan and to comment on the programme as a whole before its final approval by the House of Assembly. 4/

B. Drug prevention

63. The Commissioner of Police stated that crimes related to the rise and trafficking of drugs continued to be the single biggest problem confronting the police. 28/ The number of drug arrests during 1989 was the highest recorded, and those arrested were mainly dealers, importers or couriers. The police also seized large quantities of heroin, cannabis and cocaine. A survey on the quality of life commissioned by the Government showed that 92 per cent of the population believed that the crime rate had increased, 99 per cent were in favour of stiffer penalties for drug trafficking and 62 per cent favoured harsher punishment for drug users. 11/ Another serious development reported by The Royal Gazette (Hamilton) on 26 March was that Bermudian teenagers were used by drug dealers to import, transport and sell illegal drugs.

64. A meeting between the Attorneys-General of Bermuda and the United Kingdom's five dependent Territories in the Caribbean took place on Anguilla in February 1991. 29/ Three legal advisers from the Foreign and Commonwealth Office in London and one from the Department of Justice at Washington, D.C., participated. The discussions dealt with drug trafficking and money laundering and also with human rights questions, as well as the possible effects of the European Common Market on the participating Territories after 1992. The Attorney-General of Bermuda reported that the questions relating to drugs were high on the list of issues considered during the meeting.

C. Labour

65. The policy of the Government continues to be aimed at ensuring that new jobs must first be offered to Bermudians, and at reducing the number of non-residents. In Bermuda, there is a voluntary system of industrial relations with minimum government intervention. The fundamental principles of the labour policy are laid down in the "Guide to the Conduct of Labour Relations in Bermuda", which recognizes, inter alia, the principles embodied in the Universal Declaration of Human Rights.

66. The Ministry of Labour and Home Affairs is responsible for labour relations, employment services, workmen's compensation and occupational health and safety. It also oversees the Territory's compliance with international labour standards as laid down by the conventions and recommendations of the International Labour Organisation (ILO). Both employers' and workers' organizations are required under the provisions of the Trade Union Act, 1965, to register with the Registrar of Trade Unions. There are four main trade unions in Bermuda and three employers' organizations.

67. International companies and tourism are the principal sources of employment in Bermuda, which had a total work force of 36,420 people in 1989,

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of whom 28,069 were Bermudians and 8,351 were non-Bermudians. 21/ The wholesale retail trade and restaurant/hotels sectors employed the largest number of workers (12,545). Of these, 9,632 were Bermudians and 2,913 were non-Bermudians. Some 32 per cent of the Territory's total employment force occupied jobs in community, social and personal services.

68. According to the latest Economic Review 30/ published by the Ministry of Finance, there were 1,936 jobs in the international company sector in August 1990, a decrease of nearly 400 jobs from the peak level recorded in 1982. The number of jobs recorded at other financial institutions, principally the three local banks, was 2,446, an increase of some 500 since the mid-1980s, reflecting the increasingly important role of the banks in creating employment in the Territory. The number of jobs held by non-Bermudians decreased in 1990 for the first time since 1978, when the first manpower survey was conducted. The percentage decrease in the number of jobs held by expatriates was greater than that for Bermudians, suggesting that the level of non-Bermudian employment could act as a safety valve ensuring that the impact of the recession on Bermudians was alleviated. The high number of vacancies in skilled positions did not fully support this conclusion, however.

69. During 1989, earnings of hotel workers were at the bottom of salary scale, with waiters and waitresses earning \$B 139.22 a week (not including tips). Non-tipped workers were paid between \$B 344.40 and \$B 400.80, the same as supermarket and garage workers. In the public service, the salary of the most junior clerk started at just over \$B 15,000 a year and a senior administrative officer or a head of department earned between \$B 64,559 and \$B 87,856. The highest-paid teacher earned \$B 47,281 and other levels varied according to qualifications, starting at \$B 25,000. The salaries in the Police Department were \$B 24,820 for a constable and up to a ceiling of \$B 57,697 for senior officers. The number of persons registered as unemployed at the end of 1989 was 20, and the number of unfilled vacancies stood at 35. 15/

D. Health

70. The Department of Health, Social Services and Housing is responsible for providing medical services and facilities, as well as a broad programme of welfare work. For the past six years, the Department has received the largest allocation in the government budget, totalling \$B 60.8 million in 1989/90, compared with \$B 54.5 million in 1988/89. There are two hospitals in the Territory: King Edward VII Memorial Hospital, a general hospital providing specialist services with 233 beds in private, semi-private and public wards, including a recently renovated wing, which can accommodate 92 geriatric patients and patients in need of rehabilitation; and St. Brendan's Hospital, a mental health treatment facility with 150 beds.

71. Medical care in the Territory is also provided by private practitioners and three government health clinics. Fees are charged for hospital care and insurance is compulsory for all workers. A hospital levy covers the cost of

services rendered by the hospitals to children under the age of 16 years; indigent persons over 65 years of age pay 20 per cent of the cost. For every 10,000 inhabitants, there are 11.3 physicians, 4.8 dentists and 77.6 nurses.

72. The Territory's first hospice for victims of the acquired immunodeficiency syndrome (AIDS) and other terminally ill patients opened officially on 28 February 1991. ^{31/} It has a staff of 17 and provides 24-hour service to 12 in-patients and to 8 out-patients. In November 1989 it was reported that the number of persons infected with the human immunodeficiency virus (HIV) was 131 (107 men and 24 women), with a total of 98 deaths at that time. The ability to detect the disease was improved through the development of a computerized database and consistent efforts to identify cases were enhanced by regular communication between public health hospitals and laboratories.

VI. EDUCATIONAL CONDITIONS

73. The general administration of education is the responsibility of the Minister for Education, who is assisted by a Permanent Secretary and an Advisory Board. Education is free and compulsory for all children between the ages of 5 and 16 years. The literacy rate in the Territory is 98 per cent. The teacher-pupil ratio for government schools is 1:20 in primary schools and 1:12 in secondary schools. The annual budget of the Ministry of Education amounted to \$B 51.5 million in 1991/92, or 14.2 per cent of the total budget, compared with \$B 48.1 million in 1990/91.

74. The Bermuda Government has 18 primary schools; 8 secondary schools; 5 special schools at the primary and secondary levels, which cater to deaf, speech-impaired and handicapped children between 5 and 16 years of age; the Opportunity Workshop, which caters to persons aged 16 years and older with multiple disabilities; and 11 pre-nursery schools. There are also five private schools, of which two are denominational and one is operated by the United States navy in Bermuda. All cater to both the primary and secondary levels. There are 30 private pre-schools.

75. The Bermuda College provides post-secondary education at the community college level. It is divided into three departments: (a) the Department of Academic Studies, which offers a programme equivalent to the first two years of a bachelor's degree course for students who are planning to continue their studies abroad; (b) the Department of Commerce and Technology, which provides a wide range of courses for students intending to go into the local business market; and (c) the Department of Hotel Technology, which offers training for students interested in working in the local hotel industry.

76. There are Bermudian professional teachers and teachers from the United Kingdom, Canada, the West Indies and the United States. The Territory's educational system reflects both British and North American influences. The development of the Bermuda Secondary School Certificate programme is patterned after the structure and organisation in the United States as well as

standardized tests which are similar to those used in the United States. Courses on the work of the United Nations are included in the civics syllabus at the secondary level and United Nations activities are given general coverage at the primary level in the social studies course.

77. On 24 October 1990 the Minister for Education announced very important changes in the educational system of Bermuda, drafted by the Education Planning Team, which was established in 1987 with a mandate to "ensure a first-class education system which guarantees all students an equal opportunity to develop skills and self-esteem, to realize their potential, to fulfil their aspirations and to pursue the lifelong learning essential in an age of change". The Team recommended in its report the elimination of the transfer examination, the introduction of middle schools and the establishment of the senior secondary level school. The Government committed itself to implementing these reforms by 1994. ^{32/} The unique senior secondary school, which will be built at a cost of \$B 40 million, will accommodate some 1,250 students. The Progressive Party criticized the reform, particularly the establishment of a single senior secondary school, which could lead to a mass exodus of students from the public school system and the proliferation of private education.

78. In addition, a poll conducted by The Royal Gazette (Hamilton) confirmed the population's opposition to the "mega-school", with 75 per cent of respondents against it although they would support in principle the Government's restructuring of the public education system. ^{33/} In February 1991, the Government, realizing that it faced strong opposition to the education reform, decided to review the single-school proposal and to consider the possibility of creating two or more secondary schools. A new education reform plan should be ready by the end of 1991. ^{34/}

Notes

1/ The information contained in the present paper has been derived from published reports.

2/ The Royal Gazette (Hamilton), 14 February 1991.

3/ Ibid., 3 November 1990.

4/ Ibid., 23 February 1991.

5/ Ibid., 3 January 1991.

6/ Ibid., 7 February 1991.

7/ Ibid., 4 September 1990.

8/ Ibid., 24 October 1988.

9/ Ibid., 15 June 1989.

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Notes (continued)

- 10/ Ibid., 4 January 1991.
- 11/ Ibid., 21 February 1991.
- 12/ One Bermuda dollar (\$B 1.00) is equivalent to one United States dollar.
- 13/ The Royal Gazette (Hamilton), 27 May 1989.
- 14/ Ibid., 5 November 1990
- 15/ Ibid., 21 January 1991.
- 16/ Ibid., 28 February 1991.
- 17/ Ibid., 5 March 1991.
- 18/ Ibid., 14 February 1991.
- 19/ Ibid., 15 February 1991.
- 20/ The Financial Times (London), 30 August 1989.
- 21/ The Royal Gazette (Hamilton), 9 August 1990.
- 22/ Bermuda Sun, 26 October 1990.
- 23/ The Royal Gazette (Hamilton), 25 January 1991.
- 24/ Ibid., 12 October 1988.
- 25/ Ibid., 8 February 1991.
- 26/ Ibid., 4 April 1991.
- 27/ Ibid., 22 January 1991.
- 28/ Ibid., 23 October 1990.
- 29/ Ibid., 27 February 1991.
- 30/ Ibid., 22 February 1991.
- 31/ Ibid., 20 February 1991.
- 32/ Ibid., 25 October 1990.
- 33/ Ibid., 1 February 1991.
- 34/ Ibid., 12 February 1991.
